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Pensions & Investment Age

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Pentagon to get credit from UTC

By Barry B. Burr

United Technologies Corp. has agreed to provide credits of $20 million to the Department of Defense because one of its pension plans reached the full-funded limitation status, according to the Air Force Contract Management Division.

In addition, the Hartford, Conn.-based company proposed to provide another $70 million in credits, called "downward price adjustments" by the Air Force, should another of its pension plans meet the full-funded status, according to the Contract Management Division, which monitors large Air Force contractors from Kirtland Air Force Base, Albuquerque, N.M.

The United Technologies agreements are part of a broad Defense Department effort seeking to share in the saving contractors realize when their pension plans reach the full-funded status.

A United Technologies official confirmed the agreements and the credits. "But we won't go into any more detail than that," said Michele Farley, manager-financial public relations.

Kari J. Fielder, manager-public affairs at the Air Force division, said further details on the United Technologies credits were not immediately available.

Another contractor, Lockheed Corp., Los Angeles, re-

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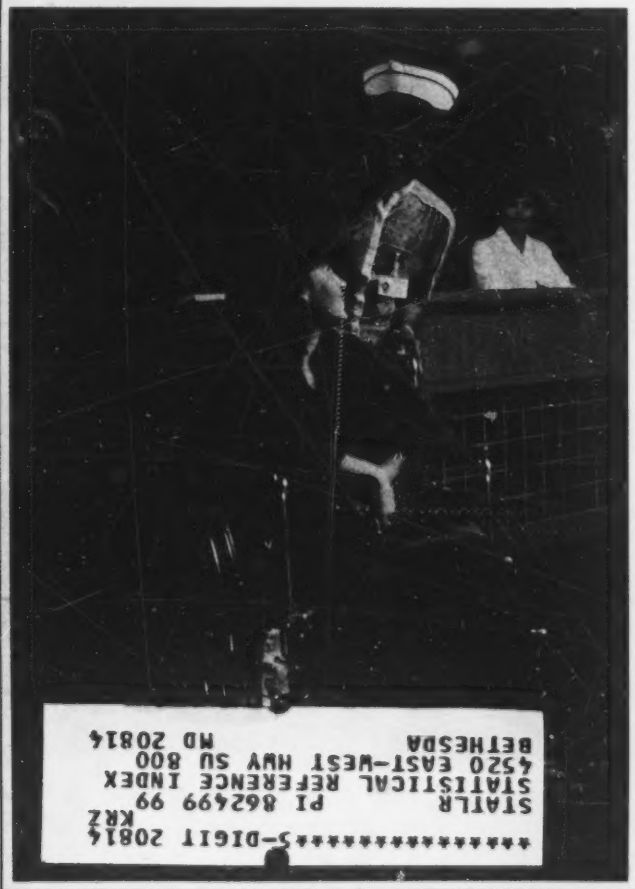
CORPORATE FINANCE: Maxicare Health Plans Inc., Los Angeles, has boosted its standing in the health maintenance organization industry — and its leverage — by acquiring two HMOs, HealthAmerica and HealthCare USA — page 29.



Funds top targets, cut international

By Marlene Givant

Cumulative returns in excess of 150% have pushed many tax-exempt funds over their target allocations for international investment and, as a result, at least four have cut back on their overseas commitments.

- The $4.8 billion pension fund of United Technologies Corp., Hartford, Conn., has cut back its international equity investments by 41%.
- The $750 million fund of Scott Paper Co., Philadelphia, slashed its international equity investments by 50%.
- The $1.5 billion endowment fund of Stanford University, Palo Alto, Calif., cut the international equity allocation to the 8% to 12% range from more than 13% of assets.
- The $50 million Wenner Gren Foundation for Anthropological Research, New York, halved its international exposure to 15% from 30%.

Superb returns pushed the funds above their targets. The Morgan Stanley Capital International Europe Australia Far East index returned a cumulative 150% between Jan. 1, 1984 and June 30, 1986, and many managers performed above the index.

In early October, United Technologies' international equity portion was sliced back to a level below its 20% target.

"We were 70% overweighted (over the target) in international equities. Now we've cut back to neutral," said Beverly Hamilton, vice president-investor relations and pension investments at UT.

International equity apparently was reduced to about $340 million, or 15% of total equity, from its Sept. 30 level of $576 million, or 25.5% of total equity.

The fund has terminated Putnam International Advisors, Boston, and Batterymarch Financial Management, New York, but officials wouldn't explain why.

The amounts the firms had managed were not available and Ms. Hamilton declined to comment on the asset shift.

At Scott Paper, officials made a gradual shift to its target of 10% international equity from 20%, terminating two managers in the process, according to Andrew Yost, pension fund manager.

"We dramatically cut our exposure beginning in the first quarter (of 1986). Our exposure was approximately double our 10% target. We chose to terminate managers."

One of those terminated was Putnam International. He did not disclose the name of the other manager terminated.

Part of the assets taken from international equity will be shared among one or more of Scott Paper's domestic equity managers. The remainder will be placed in a "buying reserve" until the fund decides how to allocate

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"Bears make money, bulls make money, pigs don't make money."

— Hiram F. Moody Jr., Wenner Gren Foundation

Boesky falls, prices follow

By Marci Baker

Investment bankers and institutional "junk bond" managers predict immediate price concessions on high-yield offerings in the emotionally charged aftermath of the investigation of Drexel Burnham Lambert Inc. in connection with Ivan Boesky's insider trading activities.

But junk bond players believe the largest-ever insider trading scandal ultimately will help the market, causing the investment community to rely less on Drexel and more on other investment banking firms for underwriting and market-making.

Still, other investment houses don't appear to be jumping in to seize market share while Drexel is down. Investment bankers are taking a wait-and-see attitude, although most agree Drexel eventually won't dominate the market.

Meanwhile, high-yield money managers stepped up trading activities late last week as price declines in the market created buying opportunities.

"We're in the middle of a maelstrom right now," said one junk bond investor, who, like most of those contacted for this story, did not wish to be identified.

"Nobody knows what's going on. Long term, the fundamentals are in place so that this scandal is not going to hurt the market. The question right now is to what extent there's going to be a short-term volcanic eruption."

Mr. Boesky agreed Nov. 14 to pay a record $100 million to settle insider trading charges brought by the Securities and Exchange Commission in relation to his risk arbitrage activities. Since then, he has continued to cooperate with the SEC's widening investigation, causing fear on Wall Street about who else will be implicated.

Photo by Mary Herlehy

Ivan Boesky and Drexel Burnham are feeling the backlash.

SEC officials indicated they are exploring Mr. Boesky's ties to Drexel's junk bond operation. Michael Milken, the emperor of Drexel's junk bond kingdom, has been subpoenaed, along with several other Wall Street executives.

Drexel dominates the junk bond market and is best known for giving corporate raiders the means — via the high-yield, low-investment-grade bonds — to pursue takeovers.

Between $10 billion and $12 billion in junk bond securities were to hit the public and private placement markets before year end, many of them acquisition-related transactions under pressure to be completed before the tax laws change next year.

There's "no question" the uncertainty over the involvement of Drexel and Mr. Milken in the SEC probe "will have some impact on pricing," one banker said. "Some concessions will have to be made."

"No one wants to buy in a down market," another banker said. "We could be pricing something that could be worth a point or two less the following day."

Even so, there's little evidence that new deals are problem ridden.

Drexel completed a $1 billion offering Nov. 18 for Safeway Stores, Oakland, Calif., to finance its leveraged buy-out by management and leveraged buy-out specialists Kohlberg Kravis & Roberts, New York, with seemingly little difficulty. The deal — $750 million of senior subordinated 10-

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10 largest employee benefit consultants

Ranked by benefit consulting revenue; 1985 estimates

Name (Parent company)	Benefit consulting[1] Gross revenue ($ mils.)	Total operations Gross revenue ($ mils.)	Total operations Offices (U.S./total)	Total operations Employees
William M. Mercer-Meidinger Inc. (Marsh & McLennan Cos. Inc.)	226	235	42/83	3,511
Towers, Perrin, Forster & Crosby (independent)	180	250	24/39	2,500
The Wyatt Co.[2] (independent)	151	175	28/51	2,010
Johnson & Higgins (independent)	101[3]	113[3]	41/71	900
Hewitt Associates (independent)	76.5	90	21/24	1,308
Buck Consultants Inc. (independent)	72	72	11/12	802
Human Resource Management Group (Alexander & Alexander Services Inc.)	70	105	40/68	1,180
Frank B. Hall Consulting Co. (Frank B. Hall & Co. Inc.)	50	56	40/50	800
A.S. Hansen Inc. (independent)	48.4	55	18/19	657
Martin E. Segal Co. (independent)	43[3]	45[3]	13/15	550

[1] Excludes revenue from claims administration compensation consulting, insurance commissions (where no consulting is involved) and other non-benefit consulting
[2] Year ended June 30, 1985
[3] Business Insurance estimates
Source: Business Insurance

Mercer-Meidinger and Hansen eye merger

By Chuck Paustian

DEERFIELD, Ill. — Officials of A.S. Hansen Inc. and William M. Mercer-Meidinger Inc. are considering a merger that would strengthen Mercer-Meidinger's position as the largest benefit consulting firm in the world.

Mercer-Meidinger, New York, which has been on an acquisition path during the past several months, was selected by Hansen's directors over 11 other firms.

Sources said the other firms included Buck Consultants Inc., New York, and Saatchi & Saatchi Co. PLC, the British advertising firm and parent of Hay/Huggins Co. Inc., a Philadelphia benefits and actuarial consulting firm.

Details of the proposed merger, approved at a special meeting of Hansen's directors Nov. 17, were not available. The purchase price has been estimated, however, at $50 million to $55 million.

Steven W. Fargason, chief executive officer and chairman of the board of Deerfield, Ill.-based Hansen, and Howard Lund, Hansen's chief operating officer, will meet with Mercer-Meidinger representatives to work out the details. They will report their findings to Hansen's board of directors by Dec. 8.

Industry sources, including former Hansen employees, speculate the merger was prompted by a group of older employees wishing to cash out before retirement.

Melvin W. Borleis, vice president and director of benefit consulting at Hansen, gave another reason. "We're an ongoing enterprise and a major consulting firm, and we're doing this to explore business opportunities," said Mr. Borleis, adding the wishes of older employees, while taken into account, were not the driving force.

"My own opinion is that I don't see this as the case. In my mind, that (the older employees) is not the reason," he said.

If the proposed merger is consummated, Mercer-Meidinger would distance itself from its competition in terms of size.

According to statistics compiled by Business Insurance, a sister publication of *Pensions & Investment Age*, Mercer-Meidinger is the largest consulting firm — with $226 million in gross revenue from benefit consulting in 1985.

The others are Towers, Perrin, Forster & Crosby, New York, with $180 million in gross revenue from benefit consulting; The Wyatt Co., Washington, $151 million; and Johnson & Higgins, New York, $101 million.

Rankings based on gross revenue from total operations in 1985 showed TPF&C was the No. 1 firm with $250 million, followed by Mercer-Meidinger, $235 million; Wyatt, $175 million; and Johnson & Higgins, $113 million.

In 1985, Hansen had gross revenue from benefit consulting of $48.4 million and gross revenue from total operations of $55 million.

Mercer-Meidinger's position is further strengthened by other recent acquisitions, including Frederick Teague & Co., an executive compensation consulting firm in Chicago. The Teague acquisition was Mercer-Meidinger's third in the past six months (*P&I Age*, Oct. 13).

Mr. Borleis said Mercer-Meidinger's proposal was selected for

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Team approach

N.Y. contracts aid minority firms

By John Covaleski

NEW YORK — Two New York public pension funds are implementing separate strategies to solve the dilemma facing some pension fund executives seeking minority firms for money management duties.

Officials of the New York State Common Retirement Fund and New York City Retirement Systems each approved separate plans in which small, minority-owned financial firms with limited pension fund exposure will work with larger, established firms to manage money for the funds.

In each case, the minority firm lacks either the experience or the track record to meet the funds' guidelines to qualify as sole managers, but the larger firms they are teamed with do meet the criteria. Inability to meet those requirements is a common problem among minority firms, which have not been in business long enough to establish the track records required by many pension executives (*Pensions & Investment Age*, March 31).

Arthur W. White Jr., president and CEO of United Mutual

At the New York State fund, $100 million in equity assets previously managed only by Equitable Investment Management Corp. now is run in a joint arrangement with Equitable and United Mutual Life Insurance Co. United Mutual is a black-owned firm in New York's Harlem with no previous pension fund investment experience, with $11.6 million in total assets and a negative return

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Comparison story on SEI incorrect

The Nov. 10 issue of *Pensions & Investment Age* incorrectly reported the median equity return of the SEI Funds Evaluation universe differed significantly from that of other universes, and that the difference might arise from SEI's methodology.

On a comparable basis, there was no significant difference between the SEI results and the results measured by other universes.

The error occurred because the equity-only results of balanced accounts for the SEI universe were compared with the equity-plus-cash results of the other universes. SEI publishes both equity-only results of balanced accounts and the equity-plus-cash results of equity funds.

The equity funds-plus-cash in the SEI universe, for example, had a Sept. 30 year-to-date median return of 12.2% compared with 11.9% for the Pensions & Investments' Performance Evaluation Report universe, 12.4% for the Trust Universe Comparison Service, 11.9% for the Frank Russell Co., 10.2% for the CDA Investment Technologies Inc. and 11.6% for the INDATA universe.

For all of 1985, the SEI universe median was 30% compared with 29.1% for PIPER, 28.5% for CDA, 31.4% for TUCS, 29.3% for Russell, and 29.5% for INDATA.

The methodology used by SEI in generating its median returns would have no adverse impact on the returns. SEI gathers its performance figures from pension fund custodians and the sample from which the median returns are calculated is selected so that it is representative of all SEI accounts. It is not based on the first accounts reported.

In addition, the results generated from the sample are later compared with results from the

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The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

P&I Age October indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	5.78	18.9	33.22
Russell 3000[1]	5.3	18.0	31.9
Ryan Index[2]	1.18	16.03	23.31
Shearson Lehman Gov't./Corp.[2]	1.45	13.79	19.99

Source: Rogers, Casey and Barksdale Inc.
[1]Frank Russell Co. [2]Fixed income.

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Real Estate Open-end funds

Period ended June 1986

1-year returns

	%
Copley (Develop), Mass.	20.1
Citicorp, N.Y.	17.3
Canada Life Assurance	16.5
Chase Manhattan, N.Y.	15.2
Union Labor Life (J), D.C.	15.2
Morgan Guaranty, N.Y.	14.4
Phoenix Mutual, Conn.	14.4
Bank One Trust Columbus, Ohio	13.4
Wachovia Bank, N.C.	13.4
Chemical Bank, N.Y.	13.1
Prudential (MORISA), N.J.	12.8
Prudential (PRIMOR), N.J.	12.4
CIGNA Corp., Conn.	12.0
NCNB National Bank, N.C.	11.6
Bank of Boston, Mass.	11.5
Aetna Life & Cas. (PMSA), Conn.	11.4
United Virginia Bank	10.5
Third Natl. Nashville, Tenn.	10.4
Equitable Life (Prime Prop), N.Y.	9.8
First of Chicago (F), Ill.	9.7
Southland Trust Co. (SREEF)	9.6
Aetna Life & Cas. (RESA), Conn.	9.5
Goldman, Sachs (Inprop), N.Y.	9.3
Massachusetts Mutual	9.2
Sun Bank, Fla.	9.0
Republic Natl. Dallas	9.0
Principal Mutual Life, Iowa	8.9
Travelers, Conn.	8.8
Mutual Benefit Life (VCA-5), N.J.	8.5
John Hancock, Mass.	7.3
Prudential (PRISA), N.J.	6.8
Metropolitan Life, N.Y.	6.6
First of Minneapolis	5.9
Lloyds Bank (F), Calif.	5.7
Crocker National (P), Calif.	5.5
Metropolitan Life (TOWER), N.Y.	5.2
Consumer Price Index	**1.7**
Seafirst Bank, Wash.	1.5
Interfirst Bank Dallas	0.7
New York Life Ins. (3)	- 0.2

3-year returns

	%
Copley (Develop), Mass.	20.4
Phoenix Mutual, Conn.	16.8
Mutual Benefit Life (VCA-5), N.J.	16.2
Prudential (MORISA), N.J.	16.1
Metropolitan Life, N.Y.	15.8
NCNB National Bank, N.C.	15.3
Prudential (PRIMOR), N.J.	15.2
Chase Manhattan, N.Y.	15.1
Canada Life Assurance	14.9
Morgan Guaranty, N.Y.	14.8
Citicorp, N.Y.	14.6
Union Labor Life (J), D.C.	14.6
Southland Trust Co. (SREEF)	13.8
Equitable Life (Prime Prop), N.Y.	13.7
CIGNA Corp., Conn.	13.6
Aetna Life & Cas. (PMSA), Conn.	13.1
Metropolitan Life (Tower), N.Y.	13.1
Goldman, Sachs (Inprop), N.Y.	12.6
Bank One Trust Columbus, Ohio	12.5
First of Minneapolis	12.4
Wachovia Bank, N.C.	12.3
Bank of Boston, Mass.	12.2
Chemical Bank, N.Y.	12.1
First of Chicago (F), Ill.	11.9
United Virginia Bank	11.5
Aetna Life & Cas. (RESA), Conn.	11.3
Principal Mutual Life, Iowa	10.8
Sun Bank, Fla.	10.7
Massachusetts Mutual	10.7
Prudential (PRISA), N.J.	10.6
Republic Natl. Dallas	10.2
John Hancock, Mass.	9.9
Third Natl. Nashville, Tenn.	9.7
Interfirst Bank Dallas	9.1
Travelers, Conn.	9.0
Crocker National (P), Calif.	8.7
Lloyds Bank (F), Calif.	7.7
Seafirst Bank, Wash.	7.3
New York Life Ins. (3), N.Y.	4.9
Consumer Price index	**3.2**

5-year returns

	%
Morgan Guaranty, N.Y.	16.3
Union Labor Life (J), D.C.	16.1
Phoenix Mutual, Conn.	16.0
NCNB National Bank, N.C.	15.8
Southland Trust Co. (SREEF)	15.8
Aetna Life & Cas. (PMSA), Conn.	15.8
Chemical Bank, N.Y.	14.9
Canada Life Assurance	14.6
Metropolitan Life, N.Y.	14.0
Bank One Trust Columbus, Ohio	13.1
Bank of Boston, Mass.	13.0
Equitable Life (Prime Prop), N.Y.	12.7
First of Chicago (F), Ill.	12.5
Metropolitan Life (Tower), N.Y.	11.9
Sun Bank, Fla.	11.5
Citicorp, N.Y.	11.5
Wachovia Bank, N.C.	11.4
Aetna Life & Cas. (RESA), Conn.	11.4
Interfirst Bank Dallas, Texas	10.8
John Hancock, Mass.	10.2
Third Natl. Nashville, Tenn.	10.1
Prudential (PRISA), N.J.	10.1
Travelers, Conn.	9.3
Crocker National (P), Calif.	9.2
Seafirst Bank, Wash.	8.9
Consumer Price Index	**3.8**

10-year returns

	%
Morgan Guaranty, N.Y.	19.5
Wachovia Bank, N.C.	14.8
Prudential (PRISA), N.J.	14.4
Metropolitan Life, N.Y.	13.5
Equitable Life (Prime Prop), N.Y.	12.9
Bank of Boston, Mass.	12.5
First of Chicago (F), Ill.	12.2
Travelers, Conn.	12.1
Consumer Price Index	**6.8**

P&I Age's annual directory of the 1,000 largest pension plans will run Jan. 26.

Real Estate Closed-end funds

Period ended June 1986

1-year returns

	%
JMB Institutional (I), Ill.	18.6
Lehndorff & Babson (Prop), Mass.	18.0
TCW Realty Advisors (I), Calif.	16.8
John Hancock (SERA I), Mass.	15.2
State Street Bank (I), Mass.	14.9
Coldwell Banker (V)	14.7
Landauer Advisors (I), N.Y.	14.4
Rosenberg (Mid-Am III)	14.2
LaSalle Advisors (Street), Ill.	14.2
Rosenberg (Mid-Am II)	14.1
Rosenberg (West VI)	13.6
JMB Institutional (II)	13.3
Aetna Life (CERESA I)	13.2
Rosenberg (Mid-Am East IV)	12.9
Rosenberg (West V)	11.6
Rosenberg (REEF III)	11.3
CIGNA Corp., Conn.	10.9
Rosenberg (USA I)	10.8
Equitable Life (New Prop), N.Y.	10.7
Aetna Life (CERESA II), Conn.	10.2
Coldwell Banker (VII)	10.1
Coldwell Banker (IV)	10.1
JMB Institutional (III)	9.8
Rosenberg (REEF II)	9.5
State Street Bank (II), Mass.	9.5
Rosenberg (REEF I)	9.4
Metropolitan Life (I), N.Y.	8.8
Coldwell Banker (II)	7.3
Rosenberg (Mid-Am I)	7.0
Sarofim Trust Co. (SIRF P-I)	6.9
Coldwell Banker (VI)	6.8
Rosenberg (USA III)	6.3
Rosenberg (REEF IV)	6.0
Coldwell Banker (III)	5.1
Rosenberg (USA II)	3.3
Consumer Price Index	**1.7**

3-year returns

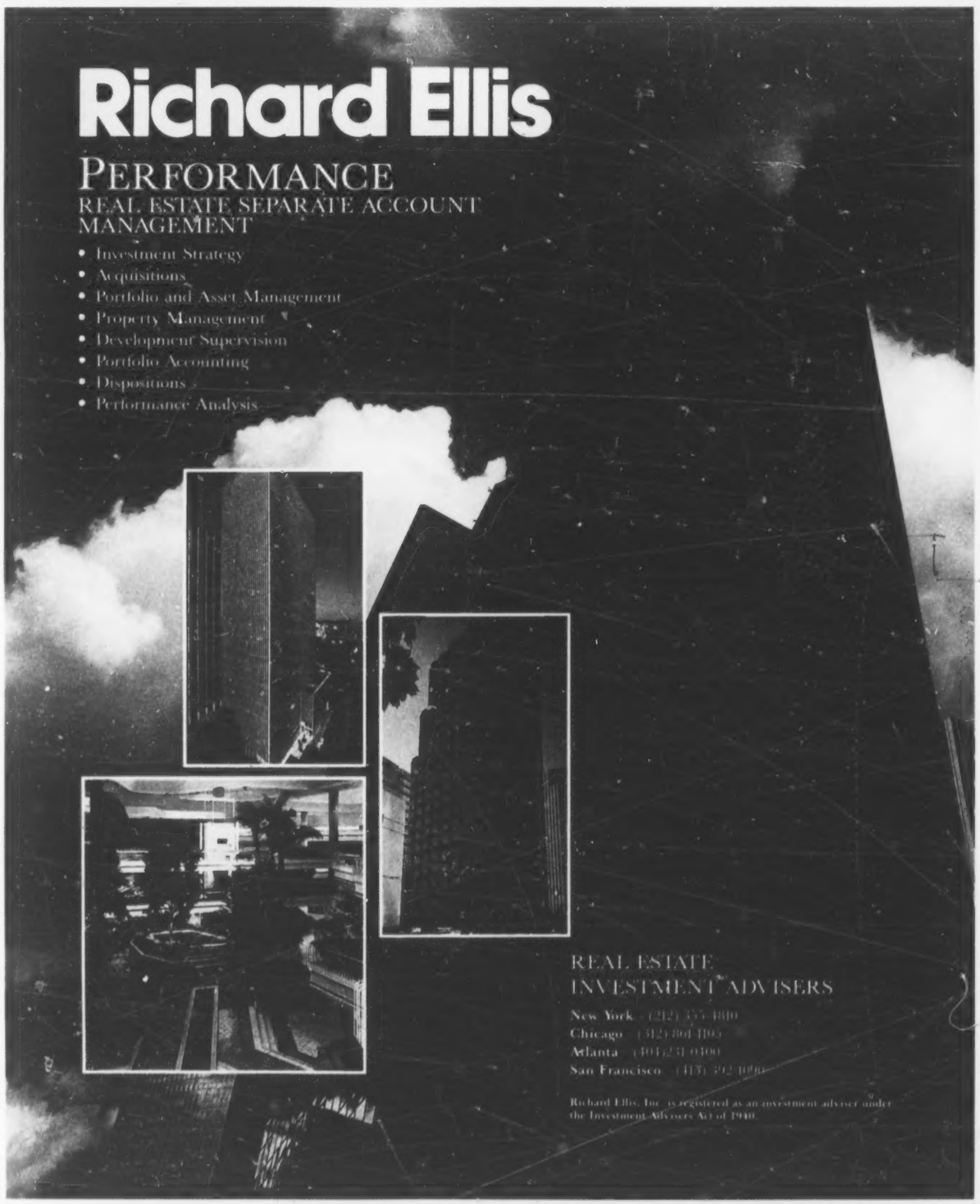
	%
JMB Institutional (I)	19.1
State Street Bank (I), Mass.	18.1
LaSalle Advisors (Street), Ill.	17.3
Coldwell Banker (V)	16.9
Sarofim Trust Co. (SIRF P-I)	15.1
Equitable Life (New prop), N.Y.	13.6
Rosenberg (Mid-Am II)	13.2
Rosenberg (REEF II)	12.3
Coldwell Banker (II)	12.2
Coldwell Banker (IV)	11.9
Rosenberg (REEF II)	11.4
Rosenberg (USA I)	10.8
CIGNA Corp., Conn.	10.7
Coldwell Banker (VII)	10.5
Rosenberg (USA II)	9.9
Rosenberg (REEF I)	9.3
Coldwell Banker (VI)	9.1
Coldwell Banker (III)	8.6
Rosenberg (REEF IV)	7.9
Rosenberg (Mid-Am I)	7.4
Consumer Price Index	**3.2**

5-year returns

	%
LaSalle Advisors (STREET), Ill.	20.5
JMB Institutional (I)	19.4
Coldwell Banker (V)	15.6
Coldwell Banker (II)	15.0
Coldwell Banker (IV)	13.1
Rosenberg (REEF I)	12.3
Rosenberg (REEF II)	12.2
Coldwell Banker (VI)	10.9
Coldwell Banker (III)	9.6
Consumer Price Index	**3.8**

10-year returns

	%
Coldwell Banker (II)	20.2
Consumer Price Index	**6.8**



Cash Management

Issuers ready to pour more into 'junk' paper

Barry B. Burr

Coca-Cola Bottling Co. Consolidated is considering increasing its $75 million commercial paper program, so strong has been its reception despite the lack of a short-term rating by any of the credit-rating companies or any credit enhancement, according to its treasurer.

The Charlotte, N.C.-based distributor of soft drinks in the South and British Columbia never sought a rating because "we're highly leveraged and not the type that would get a prime rating," said David V. Singer, vice president and treasurer.

Moody's Investors Service Inc., New York, rates the bottling company's long-term debt Ba 3, while Standard & Poor's Corp., also in New York, rates it BB+, he added.

But like a growing number of companies, Coca-Cola Consolidated wasn't deterred from the commercial paper market.

Unlike many firms with doubtful credit standings, the company rejected buying a standby letter of credit, or other credit enhancements, that would enable it to obtain a prime rating, the perceived route to issuing commercial paper, he said.

Working with Salomon Brothers Inc., New York, as its commercial paper dealer, Coca-Cola Consolidated sold its program to money market investors on the bottling company's own credit standing.

The program accounts for about 90% of Coca-Cola Consolidated's short-term borrowing, the rest coming from banks, Mr. Singer said.

He said the bottling company is thinking of expanding the program; but how much and when depends on its short-term financing needs. "That obviously would be the way to go," he added, referring to the attractive rates.

Its unrated paper sells for an average spread of 55 basis points more than the Federal Reserve's composite average rate of 30-day commercial paper of AA rated companies, Mr. Singer said, adding it beats its bank borrowing by 25 to 30 basis points.

"We haven't had any trouble selling it," he said of the program that began in October 1985.

Coca-Cola Consolidated isn't alone.

An increasing number of companies are issuing what some industry executives call junk commercial paper — commercial paper that is neither rated nor backed by a credit enhancement.

It represents a fundamental change in the commercial paper market, which was once the preserve of only the best-rated corporations, according to dealers. The change parallels the growth in junk bonds, they said.

The likelihood of getting a below-prime rating in commercial paper no longer necessarily deters corporations from tapping the market for short-term financing without a credit enhancement, usually in the form of a standby letter of credit issued by a bank.

Issuers view their unrated paper as a cost-effective alternative to credit-enhanced paper or to bank credit.

"It's really one of the recent success stories" in finance, said Howard Pollack, senior vice president at Shearson Lehman Commercial Paper Inc., New York.

Navistar Financial Corp., Schaumburg, Ill., a unit of Navistar International Corp., Chicago, has raised its unrated program to $390 million outstanding from about $50 million in November 1985 when it began, according to John Bongiorno, the subsidiary's president. The unrated paper program now provides more than half of Navistar Financial's $750 million in short-term financing; the rest comes from banks.

Because of Navistar's financial troubles, the unit lost its rating in the early 1980s, he added. It didn't issue commercial paper until Shearson Lehman offered the current program.

As for having a credit enhancement, Mr. Bongiorno said Navistar Financial "really didn't think we had to, given our revolving (credit) line," obtained to provide an alternative lending source.

He said the unrated paper sells at a rate "as much as 50 basis points" under what Navistar Financial pays to borrow from its banks.

He said he expects Navistar Financial may recover a prime rating, if its parent succeeds in its latest financial restructuring.

"As we begin to recover our rating, we already will have a presence in the marketplace and enjoy" the good will of investors, Mr. Bongiorno said.

Unrated issuers as well as dealers cited a similar reason for favoring unrated paper over credit-enhanced paper. They said investors in unrated paper have to become familiar with the issuer, a recognition that increases in value as the company wants to issue longer public debt, even if money market investors are not the same group as bond investors. With credit-enhanced paper, they said, investors look only at the bank or financial institution backing the paper, rather than at the issuer.

As Coca-Cola Consolidated's Mr. Singer put it, with a letter of credit, "Our name wouldn't be out in the marketplace. There

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Account analysis gets NCCMA nod

By Chuck Paustian

ANAHEIM, Calif. — After a successful unveiling of its account analysis prototype, the National Corporate Cash Management Association's standards committee doesn't plan to rest on its laurels.

The standards committee presented its long-awaited account analysis model at the association's seventh annual conference to appreciative reviews.

"Ideally what's happening with the NCCMA is exactly what we want to happen," said Patrick J. Finan, senior systems analyst with Procter & Gamble Co., Cincinnati.

> *"It's kind of like having a kid. I'm glad it's over with, but it still has to grow up."*
>
> — Raymond L. Cushing
> Nordson Corp.

Procter & Gamble is developing an electronic account analysis transmissions system. Mr. Finan said the NCCMA's prototype will aid P&G's current system.

In an interview, Raymond L. Cushing, corporate cash manager at Nordson Corp., Cleveland, and chairman of the standards committee, said while the account analysis prototype is a major step, a lot more work is still to come.

"It's kind of like having a kid. I'm glad it's over with," Mr. Cushing said, referring to the work and anticipation surrounding the presentation of the model. "But, it still has to grow up."

Mr. Cushing, who also was elected a director of the NCCMA during the conference, said the committee has begun work on related projects, including an account analysis data glossary, expected in mid-1987, and a joint effort with the American National Standards Institute to develop electronic transmission guidelines, expected some time in 1988.

Mr. Finan said P&G's system might serve as a starting point for ANSI's efforts.

Other projects scheduled for 1987 include a prototype lockbox questionnaire — developed with the Bank Administration Institute, a trade group based in Rolling Meadows, Ill; a dictionary of cash management terms; and a model contract for customer service agreements.

The prototype NCCMA account analysis statement is divided into five sections: customer information; current and historic balance and compensation information; adjustment detail; a management summary of accounts; and service description and cost information.

"It solves a lot of problems," said Mr. Cushing. "I like the way it handles the adjustment."

In the past, he said, a bank's adjustment for errors made in previous statements could go undetected unless the cash manager reviewed previous statements and reconciled those with the current one. In addition, the cash manager would have no way of double checking the amount of the adjustment or the bank's calculation.

Under the prototype, any adjustments would appear both in the adjustment detail section and the historic balance and compensation section of the statement.

Mr. Cushing said the other major improvements of the prototype include bank compensation data, the product families or service groups, and activity information for each account.

The bank compensation section of the statement allows corporate cash managers to know exactly where they stand in terms of compensating their bank, whether it be on a balance or fee basis.

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Payden & Rygel index of short maturity assets*
(for month ended Oct. 31)

	October 1986	Quarter ended 9/30/86	Year to date	12 months ended 10/31/86	Yield level monthly change*
	Unannualized total returns				
90-day					
U.S. Treasury bill	0.4537	1.5980	5.7678	7.1248	0
Domestic CD	0.5381	1.6906	6.2334	7.6487	−21
Euro $ CD	0.5371	1.7142	6.3104	7.7650	−15
180-day					
U.S. Treasury bill	0.5238	1.7326	6.3807	7.8629	−11
Domestic CD	0.5786	1.8104	6.6620	8.0745	−20
Euro $ CD	0.5873	1.8432	6.7539	8.2448	−20
1-year					
U.S. Treasury note	0.5736	2.0564	7.4219	9.1429	−09
2-year					
U.S. Treasury note	0.7555	2.4026	9.2537	12.2094	−12

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
*Basis points.
Source: Payden & Rygel, Los Angeles

Fed proposes redeposit plan

By Barry B. Burr

WASHINGTON — After a test program showed improved processing time and reduced costs, the Federal Reserve Board proposed to provide a redeposit service for "small" checks that are returned because of insufficient or uncollected funds.

Under the proposed "return item reclearing service," Federal Reserve Banks would intercept dishonored checks and redeposit them for a second presentment on behalf of the collecting institution. The practice would speed processing time and reduce costs, according to the Federal Reserve.

Under the proposal, each Federal Reserve Bank would set its own limit on the dollar amount of checks eligible for the return item reclearing service.

Earl G. Hamilton, assistant director, Federal Reserve Board bank operations division, Washington, said there would not have to be any limit on the dollar amount of each check redeposited through the proposed service. But he said it likely would be less than $900 each, and probably closer to $100 each to minimize risk.

The Federal Reserve Banks would charge a fee to offset all costs associated with the service. The Fed notice gave no estimate of the fee.

Participation in the service by commercial banks and other senders of checks would be voluntary.

Banks upon which the checks are drawn still would be required to send back checks being returned within 48 hours or otherwise risk liability for any loss occurring to the sending bank.

Representatives of a number of major cash management banks said they were unaware of the proposal and declined to comment.

Test programs, beginning in 1984, at the Federal Reserve Banks of Atlanta, Cleveland and St. Louis found about 60% of the dishonored checks are paid upon second presentment.

According to a 1985 study by the Bank Administration Institute, a Rolling Meadows, Ill.-based trade group, cited by the Fed, slightly less than 1% of the 42 billion to 44 billion checks written annually are returned unpaid. Of the checks that are dishonored, 53% have a value of less than $100.

The reclearing service accelerates presentment items for most returned checks by one day, because the item no longer is returned to the sender before being redeposited. In addition, the time required for the check to finally be paid also is cut by at least one day.

The Fed proposal noted many collecting institutions, before charging their customers for checks returned for insufficient funds, routinely try again to deposit for collection low-dollar dishonored checks. The reason is

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PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on special equity and international funds at more than 50 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

Special equity leaders played it safe

By Brian Lehrer

Discipline and conservatism produced some of the best results for bank and insurance company commingled special equity funds in the periods ended Sept. 30.

Despite fine performances by selected funds, the median special equity fund in the Pensions & Investments' Performance Evaluation Report outshone the Standard & Poor's 500 stock index in only the 10-year period.

The median fund returned −11.3% for the quarter, while the S&P 500 registered −7%.

For the 12 months ended Sept. 30, the median fund returned 24%, while the index returned 31.8%. For the three years ended Sept. 30, the median fund posted a compound annual 7.3% vs. the S&P's 16.5%.

Annualized figures for five years were 17.3% for the median fund and 20.2% for the index, and for the 10-year period, 17.3% and 13.6%, respectively.

The top fund for the quarter was RepublicBank Dallas, whose Select Equity Fund returned 10.5%. First Interstate Bank of Nevada, Reno, and CitiCorp, New York, rounded out the top three with returns of 4.6% and −0.7%, respectively.

RepublicBank's $9 million select equity fund is the anomaly to the conservative strategies. A highly volatile fund with only five or six stocks, its managers follow a low price-earnings approach.

"We manage it the same way we do our other funds," said H. Edward Anderson, senior vice president, "but we take it one level of risk more by taking rather large bets."

Some of the three-year-old fund's holdings are **IBM Corp.**, **American Bankers Insurance Group** and **Amcast Industrial Corp.**

First of Maryland's, Baltimore, special equity fund finished in the top 10% for the quarter, posting a −4.8% return.

"The umbrella that overrides our investment strategy is asset allocation," said Steve Ralston, portfolio manager. "We try to diversify as much as possible."

The fund, with slightly more than $10 million in assets, strives for low-beta investments and makes decisions based on a stock's consistent growth or secular change.

Mr. Ralston said First of Maryland sells its stocks at predetermined target prices. "Very rarely do we ratchet it up when we achieve the desired price," he said.

The portfolio is 92% securities and 8% cash. **Subaru of America Inc.** and **Dunkin' Donuts Inc.** have been some of its most successful stocks, although Mr. Ralston attributed the portfolio's strong showing last quarter to "very heavy cash."

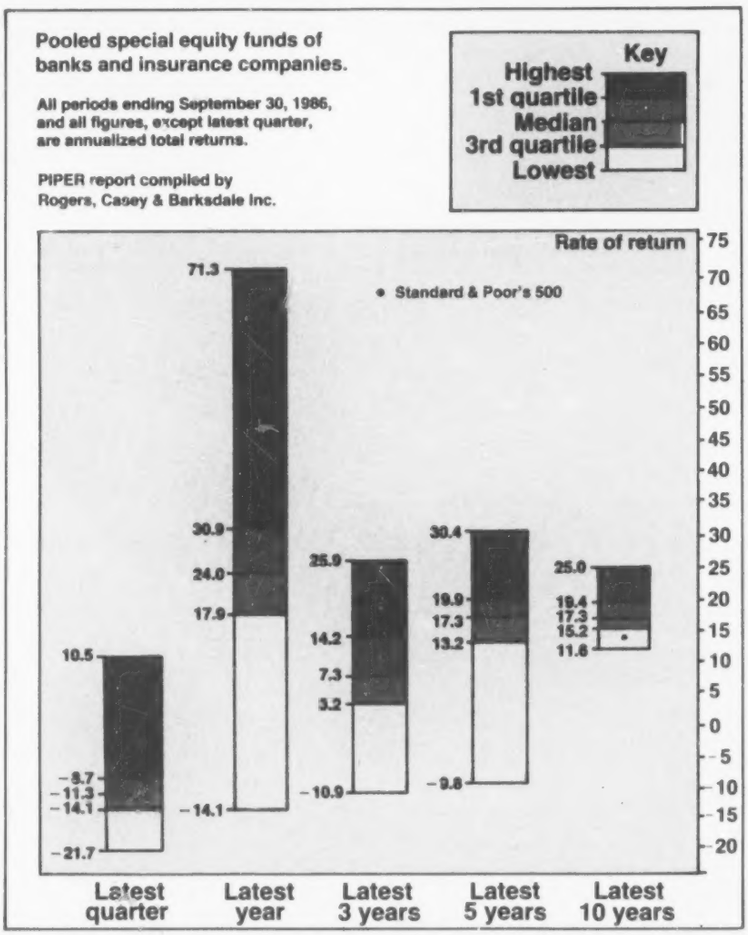
The fund fared similarly well in the five- and 10-year periods, finishing in the top 20%, with compound annual returns of 21.8% and 22.3%, respectively. Over the one- and three-year periods it slid below the S&P, with returns of 22.8% and an annualized 12.3%. In the one-year period it finished in the bottom half of all PIPER funds, and in the three-year it finished in the top 30%.

RepublicBank also finished first for the one-year period, with a return of 71.3%. Chase Manhattan Corp., New York, and The First National Bank of Neenah, Wis., placed second and third with returns of 53% and 48.9%, respectively.

First of Neenah's $6 million equity income fund espouses a relatively conservative approach, said Michael Flesch, vice president.

The fund's objective is high current return along with capital appreciation. Managers look for higher-yielding stocks and convertible preferred stocks and bonds.

"We like our equities to yield at least 4% or more," Mr. Flesch said. "When they don't, we sell right cover calls, which brings up the whole return."



He said the fund is overweighted in real estate and financials. Some of its best returning stocks are **Philip Morris Inc.**, **New Plan Realty Trust** and **Washington REIT**.

Another top performer in the year was American Fletcher National Bank, Indianapolis, whose E Fund finished seventh, but still in the top 10%, with a return of 42.7%.

The $2 million fund has stocks that tend to be low-beta and low price-earnings, said Leif Nulsen, senior vice president. "It (the fund) has achieved an above-average return with a below-market risk," he said.

The fund is overweighted in financial issues and credit cyclicals, like regional banks and savings and loans, capital goods, technology and utilities.

Some of its better performing stocks are **Kroger Co.**, **Kellogg Co.**, **Eli Lilly Co.**, **Philip Morris** and **Hasbro Bradley Inc.**, Mr. Nulsen said.

"We generally look for a stock that is selling at a low price relative to its historic price level, but is also generating good cash flow and revenues," he said. "You might classify us as a value-oriented contrarian type of manager."

The fund, started in 1980, finished fifth for the three-year period, with a return of 18.5%, and its −5.3% return for the quarter topped the S&P and put it in the second decile. Its compound annual 20% return dipped below the S&P index in the five-year period, placing it in the top 30%.

Another top performer in the survey was Fidelity Management Trust, Boston, whose $535 million aggressive equity commingled pool finished sixth for the year with a 43.4% return.

Frank Parrish, executive vice president and chief investment officer, said the company's investment strategy is not based on any specific blueprint.

"Basically we use a very broad discipline," he said. "We tend to use a bottom-up approach."

The portfolio is evenly divided between small-cap stocks, growth stocks and blue chips, he said. The fund is overweighted in consumer cyclicals, mostly automotives, and financial services, which comprise 21% and 25% of the portfolio, respectively.

Some of its best returning automotive stocks are **Ford Motor Co.**, **Chrysler Corp.** and **Volvo of America Corp. Student Loan Marketing Association** and **Federal National Mortgage Association** are two of its financial service stocks.

The pool, started in 1981, finished fourth over the three-year period with a 20.2% return, but was not included in the five-year period.

Society National Bank, Cleveland, fin-

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International funds focus on the Continent

By Marlene Givant

No longer enamored with the Japanese market, top-performing managers in Pensions & Investments' Performance Evaluation Report continued to emphasize continental European stocks in the third quarter.

Some managers did, however, overweight Japanese, as well as West German, currencies over British sterling and U.S. dollars.

PIPER tracks the returns of 31 bank and insurance company international and global equity and fixed-income commingled funds.

The $55 million International Employee Benefit Equity Fund of the Bank of America, San Francisco, topped all others for the quarter, year and three years ended Sept. 30.

The fund, managed in London by BA Investment Management International Ltd., posted a total return of 20.8% for the quarter, 127.8% for the year and a compound annual 45.7% for three years.

The Morgan Stanley Capital International Europe Australia Far East index returned 15.3%, 90.1% and an annualized 43.3% for those periods, respectively.

American National Bank & Trust Co. of Chicago's index fund ranked second for the quarter, with a 20% return.

For the year ended Sept. 30, Bessemer Trust Co., New York, ranked second, with 105.3%, and Centerre Trust Co. of St. Louis ranked third, with 99%.

BA Investment expects a souring world economy and therefore avoided stocks it considers most sensitive to economic factors in the third quarter.

It avoided capital equipment, technology and basic industry stocks in favor of financial stocks, particularly in France and Spain, and service and consumer-oriented stocks, mainly in the U.K. market. Those sectors are relative beneficiaries of slow economic growth and falling interest rates, said Chris Carter, international equity manager.

For financials, the most value was in European stocks, particularly those in France and Spain. For service and consumer stocks, the most value was in the U.K. stock market, he said. "We still feel on virtually every count the Japanese market remains significantly overvalued."

At the end of the third quarter, the fund had only 10% in the Japanese market, reduced from 20% at the end of last quarter.

While Japan is assigned a weight of about 50% in the EAFE, Mr. Carter said BA Investment will continue to phase out Japanese stocks.

In addition to controlling market and sector risk, BA bridled currency risk by selling sterling forward in yen and deutsche mark currencies.

"We're underweighted in Japan but feel less happy about being that much underweighted in yen currency," he said.

Yen exposure remained at 30% for the third quarter but in the fourth quarter BA might shift more to deutsche marks. This is because of the relative willingness of Japanese authorities to lower interest rates while West Germany is stubborn on interest rate policy, he said.

To further ward off effects of a bear market, the fund is building cash levels.

"Interest rates pushed down worldwide (in the third quarter). In the second quarter, there was little risk of being in equities," he said.

"We now feel the risk in equity markets on the whole is increasing and we are beginning to build up the level of cash in the portfolio. At the end of the third quarter we had 15% cash. Over the fourth quarter we would expect to increase that further."

American National Bank & Trust's $20 million international equity fund, which was second for the quarter, is an index fund tracking the EAFE.

"We don't try to exactly track the index. We try to replicate the return and risk characteristics," said Jim Kartalia, director of marketing. "We own (stocks of) only 11 of the 60 countries in EAFE. The tracking error tends to

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Special equity . . .

Continued from page 39

ished 10th for the year, with a return of 38.1%.

The $16.2 million earnings momentum fund, started in January of 1985, follows a "very disciplined" three-stage investment strategy. Portfolio managers look for growth companies that have grown at least 5% during a six-year period, with "very consistent" earnings in that time, that have experienced accelerated operating earnings in the current quarter.

The portfolio is overweighted in consumer staples and financial, and underweighted in technology and utilities. But weightings are not a cardinal element of Society National's tactics, said Jim Foster, vice president.

"We take a bottom-up approach," he said. "Weightings are secondary and earnings are primary."

Some of the fund's best returning stocks are **Waste Management Inc.**, **Nordstrom Inc.**, **Merck & Co. Inc.** **Philip Morris Inc.**, **Russell Corp.** and **Charming Shoppes Inc.**

For the quarter, the fund finished in the bottom half of the PIPER survey with a −11.5% return.

California First Bank, San Diego, was another top 10 performer for the year, as its fund placed eighth, registering 39%.

William Jeffery III, president of Califor-nia First Capital Management, La Jolla, the investment-management arm of the bank that handles the fund, said the roughly $15 million fund follows an aggressive-growth, bottom-up approach. "We are earnings-driven," he said.

The portfolio is overweighted in specialty retailers, 40%, and technology, 30%.

Some of its retail holdings are **Liz Claiborne**, **Consolidated Stores** and **Cherokee Group**. Some of its technology holdings are **Ashton Tate**, **Seagate Technology** and **Autodesk**.

Although the fund finished in the bottom 20% for the quarter and the three-year period, posting −20% and 0.7%; it finished in the top 20% for the five-year period, with a compound annual 21%, and placed third for the 10-year period, with an annualized 23.5%. For the three-year period, RepublicBank remained perched at the top with a compound annual 25.9% return, while CitiCorp and First of Neenah returned 21.7% and 21.3%, to place second and third.

CitiCorp's real estate stock fund took the gold for the five-year period, with a compound annual 30.4% return, while Chase Manhattan and Provident National Bank, Philadelphia, had annualized returns of 25.8% and 24.7%, respectively.

The Growth Fund of MTrust, Dallas, reigned for the 10-year period with an annualized 25% return, while Equitable Bank, Baltimore, and California First Bank, San Diego, returned 24.2% and 23.5% to round out the top three. ■

Top quartile commingled special equity funds

3-month returns

	%
RepublicBank (Select), Dallas	10.5
First Interstate of Nevada (B)	4.6
Citicorp (R.E.), N.Y.	−0.7
First of Neenah (Income), Wis.	−1.0
Citicorp (Resources), N.Y.	−2.3
First of Boston (Yield), Mass.	−4.0
Manufacturers Hanover (Uncom.)	−4.2
Manufacturers Hanover (Supp.)	−4.3
MBank Austin (Keogh), Texas	−4.5
First of Maryland	−4.8
American Fletcher (E), Ind.	−5.3
Chase Manhattan (Value), N.Y.	−5.7
Society Natl. (Ohio reg.), Ohio	−5.8
First of Neenah (Regional), Wis.	−6.2
Centerre Trust (T), Mo.	−6.3
Pittsburgh Natl. (QRC), Pa.	−6.3
Harris Trust (Spec. cap.), Ill.	−6.6
First of Chicago	−6.8
Trust Co. of Georgia (Sun Belt)	−6.8
Standard & Poor's 500	**−7.0**
Natl. Bank of Commerce	−7.1
Planters Natl. (Carolinas), N.C.	−7.3
Wachovia Bank (Div.), N.C.	−7.5
Natl. Bank of Detroit (Opp.)	−7.9
Texas American Bank	−8.2

1-year returns

	%
RepublicBank (Select), Dallas	71.3
Chase Manhattan (Inter. cap.)	53.0
First of Neenah (Regional), Wis.	48.9
Trust Co. of the West	44.3
Manufacturers Hanover (Supp.)	43.6
Fidelity Mgmt. Trust (Agg.), Mass.	43.4
American Fletcher (E), Ind.	42.7
California First Bank (Supp.)	39.0
First of Neenah (Eq. inc.), Wis.	38.3
Society Natl. (Earn. mom.), Ohio	38.1
Fidelity Mgmt. Trust (Small co.)	35.7
RepublicBank Dallas, Texas	35.7
First Tennessee Memphis	34.7
Harris Trust (Spec. cap.), Ill.	34.5
Manufacturers Hanover (Uncom.)	33.9
Mellon Bank (EB), Pa.	33.8
Citicorp (Emerg. health), N.Y.	33.4
Wachovia Bank (Div.), N.C.	33.2
Marsh & McLennan (Putnam)	33.1
Central Fidelity (EB Agg.), Va.	33.0
Northern Trust, Ill.	32.6
Standard & Poor's 500	**31.8**
Citicorp (R.E.), N.Y.	31.3
Society Natl. (Ohio reg.), Ohio	31.1

3-year returns

	%
RepublicBank (Select), Dallas	25.9
Citicorp (R.E.), N.Y.	21.7
First of Neenah (Eq. inc.), Wis.	21.3
Fidelity Mgmt. Trust (Agg.), Mass.	20.2
American Fletcher (E), Ind.	18.5
Chase Manhattan (Inter. cap.)	18.2
First of Boston (Eq. yield)	18.2
Trust Co. of the West	17.5
Manufacturers Hanover (Supp.)	16.8
Standard & Poor's 500	**16.5**
Citicorp (Emerg. health), N.Y.	15.9
Shawmut Bank (Target), Mass.	15.5
MBank Austin (Keogh), Texas	15.3
Associated Kellogg (EB gr.), Wis.	15.3
Old Second Natl. (H.R. 10), Ill.	15.2
Wachovia Bank (Div.), N.C.	15.1
Manufacturers Hanover (Uncom.)	15.1
Mellon Bank, Pa.	15.0
Natl. Bank of Detroit (Opp.)	14.6
Provident National, Pa.	14.3
Society Natl. (Ohio reg.), Ohio	14.2
LaSalle Natl. (Small cap.), Ill.	14.2

5-year returns

	%
Citicorp (R.E.), N.Y.	30.4
Chase Manhattan (Inter. cap.)	25.8
Provident National, Pa.	24.7
Wachovia Bank (Div.), N.C.	24.1
Citicorp (Spec. sit.), N.Y.	24.1
First of Boston (Eq. yield)	22.5
Connecticut Natl. Bank (Supp.)	22.4
Society Natl. (Ohio reg.), Ohio	22.0
Manufacturers Hanover (Uncom.)	21.8
First of Maryland	21.8
Chase Manhattan (Value), N.Y.	21.4
Natl. Bank of Detroit (Opp.)	21.3
California First Bank (Supp.)	21.0
Norwest Bank, Minn.	20.9
Bankers Trust (Supp.), N.Y.	20.8
Standard & Poor's 500	**20.2**
American Fletcher (E), Ind.	20.0

10-year returns

	%
MTrust (Growth), Texas	25.0
Equitable Bank, Md.	24.2
California First Bank (Supp.)	23.5
Northern Central, Pa.	23.3
Bankers Trust (Supp.), N.Y.	22.8
First of Maryland	22.3
Chase Manhattan, N.Y.	20.5
Bank of America (EB Ltd.), Calif.	20.0
Provident National, Pa.	19.8
Conn. Bank & Trust (EB supp.)	19.6
Norwest Bank, Minn.	19.4
Standard & Poor's 500	**13.6**

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International . . .

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be random. We're not sure (whether it will be up or down) during a given quarter or month. If you look at the last five years, EAFE did 30.7%. Our international fund did 29.4%. We're including transaction costs, etc. In the long haul we'll track pretty well."

While Bank of America has avoided many Japanese stocks, Bessemer Trust, the second-ranked fund for the year, overweighted them. Peter Scully, vice president, said that overweighting was to thank for the 105.3% return on its $75 million Fund E portfolio for the period.

"The key was we were heavily weighted in Japan — over 50% — with emphasis on Japanese domestic equities in utility, retail, construction and financial sectors, as opposed to export companies," he said.

More recently, "we have been taking some profits in Japan, moving some of that money into Hong Kong and Europe. We see more value in those markets at this point. (There's been) a tremendous run-up in the Japanese market. It's fully valued . . . We think there are good opportunities on the Continent."

The fund, which is now all equity but is not precluded from holding bonds, is jointly managed with the bank's London office.

Centerre Trust's $125 million Collective International Fund W, which ranked third for the year, is managed by Centerre in conjunction with Morgan Grenfell Investment Services Ltd., London.

The fund's strong return was attributed to its emphasis on West German and Japanese currencies and overweighting in Japanese stocks.

"Currency and overweighting in Japan really account for the vast majority of that return. First we did make sure that we were fully invested in terms of the yen and the mark. We really didn't hold dollars; (we) primarily emphasized those two currencies," said John Rabenau, a vice president at Centerre.

Mr. Rabenau stressed, however, that to add value the managers concentrated more on stock selection and country weightings than the currency factor.

"We tended to have overweighting in Japan. A major portion of Morgan Grenfell's approach is not the currency factor but equal emphasis on stock selection and country weightings. They don't emphasize currency as a major force in adding return. (We thought) more in terms of country weighting than individual stocks."

No managers beat the EAFE's 30.7% compound annual return for the five-year period, but IDS International Inc., Minneapolis, ranked second, returning 30% on its $51 million international collective fund.

The firm uses a top-down as well as bottom-up approach.

"We develop a macroeconomic geopolitical overview as the first stage in the process. We take a generalist approach (before choosing stocks)," said Diane Vener, assistant vice president.

Following IDS was American National Bank & Trust's fund, with a compound annual 29.4%, and Marsh & McLennan's Putnam International Trust, with 27.7%.

United States Trust Co. of New York, eked past the EAFE for the 10-year period, with a 22.5% compound annual return on its $30 million international ERISA equity fund compared with the index's 22.4%.

"Over that 10-year period the strategies have not all been the same," said Harry Rowney, vice president and chairman of U.S. Trust's international investment policy committee.

Initially, the fund was managed in-house. In the past five years, it entered into a joint venture with Foreign & Colonial Asset Management, New York.

As for the overall investment philosophy, Mr. Rowney said, "it would be a top-down approach, some evaluation on economies, currencies and markets to conclude which markets seem most appropriate for investment. Then (we) look for values within those markets and economies."

There were only two other funds tracked in the 10-year period, Morgan Guaranty Trust Co.'s international equity fund, which returned a compound annual 20% and First Chicago Investment Advisor's international equity fund, with 18.9%. ■

Commingled international funds

3-month returns

	%
Bank of America (Equity), Calif.	20.8
American Natl. Chicago (Equity)	20.0
EAFE	**15.3**
Bessemer Trust (E), N.Y.	15.1
Citicorp (Equity), N.Y.	13.9
Chase Manhattan (Global eq.)	12.9
Marine Midland (Equity), N.Y.	12.4
Wellington Trust (Equity), Mass.	11.9
Prudential (Print), N.J.	11.6
Centerre Trust (W), Mo.	11.4
CIGNA Corp. (Equity), Conn.	11.3
US Trust (Equity), N.Y.	11.2
Wellington Trust (Pac. Basin)	10.8
Toledo Trust (Equity), Ohio	10.8
Mellon Bank (Equity), Pa.	10.8
First of Chicago (Equity), Ill.	10.3
Morgan Guaranty (Equity), N.Y.	10.1
HT Investors (Equity), R.I.	9.7
Fidelity Mgmt. Trust (Equity), Mass.	9.3
IDS Trust (Equity), Minn.	9.1
California First Bank (Equity)	7.6
RepublicBank (Equity), Dallas	7.6
Citicorp (Fixed), N.Y.	5.6
Bankers Trust (Equity), N.Y.	5.5
Travelers Hill Samuel (W), Conn.	5.5
Marsh & McLennan (Putnam)	5.2
Prudential (Global fixed), N.J.	4.9
Aetna MIM (Equity), Conn.	4.9
First of Chicago (Non-dollar)	4.5
Toledo Trust (Global fixed), Ohio	4.4
Prudential (Foreign), N.J.	4.1
Provident Natl. (Low p/e eq.), Pa.	4.0
Morgan Guaranty (Bond), N.Y.	2.6
Bank of America (Fixed), Calif.	1.8
Wellington Trust (Bond), Mass.	0.6

1-year returns

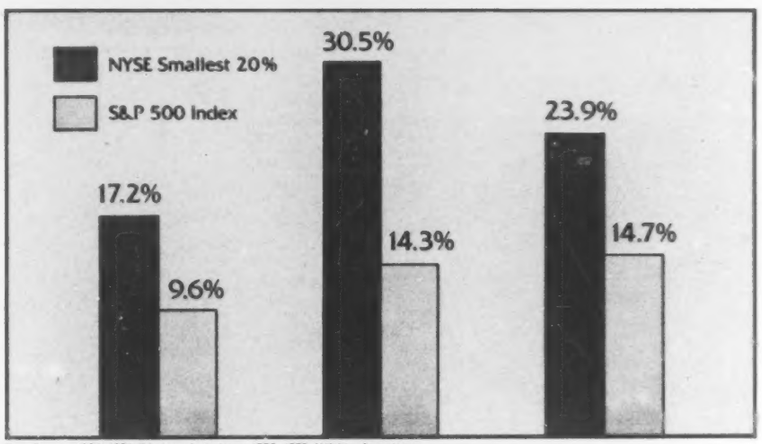
	%
Bank of America (Equity), Calif.	127.8
Bessemer Trust (E), N.Y.	105.3
Centerre Trust (W), Mo.	99.0
American Natl. Chicago (Equity)	93.6
Wellington Trust (Pac. Basin)	93.2
Citicorp (Equity), N.Y.	93.0
RepublicBank (Equity), Dallas	91.4
EAFE	**90.1**
US Trust (Equity), N.Y.	87.6
Chase Manhattan (Global eq.)	87.3
Marine Midland (Equity), N.Y.	85.0
Wellington Trust (Equity), Mass.	84.0
IDS Trust (Equity), Minn.	82.0
CIGNA Corp. (Equity), Conn.	81.9
First of Chicago (Equity)	80.7
Aetna MIM (Equity), Conn.	79.0
Fidelity Mgmt. Trust (Equity)	77.5
Marsh & McLennan (Putnam)	77.4
Provident Natl. (Low p/e eq.), Pa.	77.4
Morgan Guaranty (Equity), N.Y.	77.1
HT Investors (Equity), R.I.	75.2
California First Bank (Equity)	74.9
Bankers Trust (Equity), N.Y.	72.1
Toledo Trust (Equity), Ohio	64.9
Mellon Bank (Equity), Pa.	64.0
Travelers Hill Samuel (W), Conn.	58.1
Prudential (Global bond), N.J.	46.0
Bank of America (Fixed), Calif.	44.7
Citicorp (Fixed), N.Y.	41.2
Prudential (Fixed), N.J.	40.2
First of Chicago (Non-dollar fixed)	37.2
Toledo Trust (Global fixed), Ohio	36.4
Morgan Guaranty (Bond), N.Y.	32.6
Wellington Trust (Bond), Mass.	26.7

3-year returns

	%
Bank of America (Equity), Calif.	45.7

Continued on page 42

Check this Record!



Data Source: 1926-1981: Ibbotson Associates; 1982-1985: Wilshire Associates

Annualized Returns for Periods Ending 12/31/85

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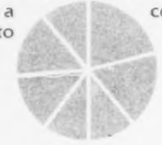

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Boston managers merge

BOSTON — Mini merger mania hit the Boston investment management community in early November when two well-known firms announced plans to merge with or be acquired by two others.

By year end, Hagler, Mastrovita & Hewitt Inc. will be acquired by United Asset Management Corp., the publicly traded holding company in the business of buying money management operations.

In addition, Rollert & Sullivan Inc. will join its operations with Fort Hill Investors Management Corp. in December.

Hagler, Mastrovita manages roughly $1.4 billion in institutional assets. The purchase will bring to 12 the number of money management firms under the UAM umbrella, while total assets under management for the holding company will climb to roughly $15 billion.

Fort Hill's assets under management will climb to about $700 million after the merger with Rollert. About one-third of that amount represents accounts currently being run by Rollert & Sullivan, said Gordon Rollert, the firm's president who will become vice chairman and a member of the investment committee for the merged companies.

The moves come amid a flurry of acquisition or initial public offerings among investment management firms.

Indeed, UAM went public only this past summer in a $40 million offering. While the recent activity underscores a trend toward consolidation in the industry, the timing of these latest moves may in part be tax-related.

Money managers thinking about having their firms be acquired or go public have a strong incentive to do so by year end. Stockholders can cash out and be taxed at a 20% rate on the capital gains they realize only until year end. In 1987, the effective capital gains rate will climb to 28%.

While this may be a motivating factor for some investment managers to move now, Mr. Rollert said the changing tax laws did not play a role in his decision to merge with Fort Hill.

"I want to spend as much time as I can managing money and dealing with clients," Mr. Rollert said. "This is a situation that will allow me to do that."

Another advantage, he said, is that he will be aided in his investing activities with the support services of a larger organization.

Officials at Hagler, Mastrovita did not return calls by press time.

Hagler, Mastrovita is the first firm to be acquired since UAM's offering and some think the company will announce at least one more transaction by year end.

Archer des Cognets, UAM's senior vice president-marketing, declined to comment on that matter beyond what the firm stated in its six-month financial reports, released in September. The report stated UAM expected to do "one or more deals" by the end of the year.

Hagler, Mastrovita is primarily an equity manager, although it runs some fixed-income and balanced accounts as well. It looks for undervalued companies relative to their earning power, mingling sector rotation with low price-earnings stocks and Graham & Dodd techniques.

Style is less a factor in UAM's buying strategy, however. "Generally, what we're looking for are firms that have demonstrated good strong track records," said Mr. des Cognets. Hagler, Mastrovita fit that bill.

Officials at Fort Hill, meanwhile, have been looking to diversify and offer money management services that complement its own value-oriented, risk-averse approach, said Orie Dudley, Fort Hill's chairman and chief executive officer.

Rollert's growth-stock equity style carries greater risk with it.

The fit goes a number of steps further, he said, in that Rollert is an equity manager running mainly corporate pension fund and university endowment accounts, while Fort Hill runs primarily balanced accounts for a large number of union and municipal pension plans.

The deal also will help Fort Hill move into another arena — mutual fund management. Rollert has run the Nova Fund, a $25 million mutual fund specializing in high-technology stocks, which is expected to become part of Fort Hill, pending approval of the fund's shareholders.

The merger comes after hard times for both investment firms, where performance suffered and accounts were lost. But they have begun to rebound.

Mr. Dudley said growth-stock management is returning to favor. Numbers for both firms have improved.

During the last fiscal year, Rollert achieved 20.35% growth for its equity-plus-cash portfolio and 21.27% increase in its balanced portfolio.

Fort Hill's 10-year annualized return recently ranked in the top 20% of SEI Corp.'s universe of balanced funds. ■

Continued from page 41

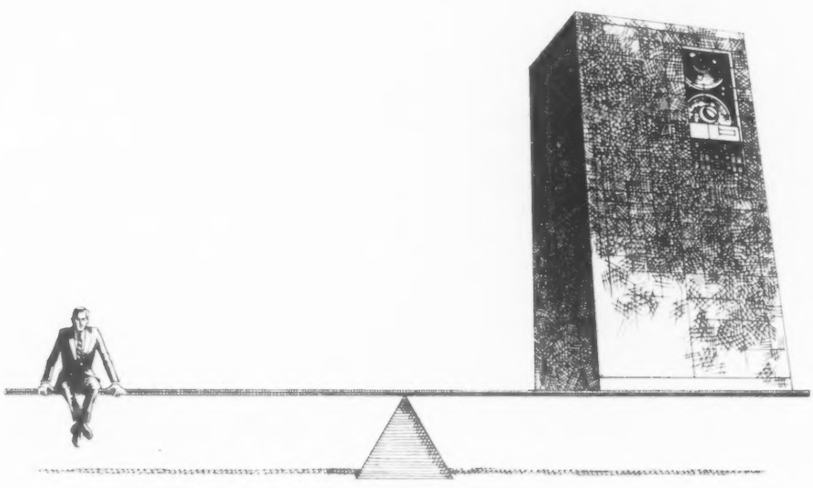
EAFE	**43.3**
American Natl. Chicago (Equity)	42.6
IDS Trust (Equity), Minn.	38.0
Citicorp (Equity), N.Y.	37.9
Aetna MIM (Equity), Conn.	36.8
Bankers Trust (Equity), N.Y.	36.1
Marine Midland (Equity), N.Y.	36.0
Marsh & McLennan (Putnam)	35.7
First of Chicago (Equity), Ill.	35.6
Bessemer Trust (E), N.Y.	34.4
Wellington Trust (Equity), Mass.	34.1
US Trust (Equity), N.Y.	34.1
Wellington Trust (Pac. Basin)	33.4
RepublicBank (Equity), Dallas	33.2
Fidelity Mgmt. Trust (Equity)	31.9
Centerre Trust (W), Mo.	30.9
Morgan Guaranty (Equity), N.Y.	29.9
Mellon Bank (Equity), Pa.	29.7
Chase Manhattan (Global eq.)	29.1
Prudential (Global bond), N.J.	28.7
Travelers Hill Samuel (W), Conn.	27.6
HT Investors (Equity), R.I.	26.1
Bank of America (Fixed), Calif.	22.5
Prudential (Bond), N.J.	22.2
Citicorp (Fixed), N.Y.	20.9
First of Chicago (Non-dollar), Ill.	20.3
Morgan Guaranty (Bond), N.Y.	19.7
Wellington Trust (Bond), Mass.	15.3

5-year returns

	%
EAFE	**30.7**
IDS Trust (Equity), Minn.	30.0
American Natl. Chicago (Equity)	29.4
Marsh & McLennan (Putnam)	27.7
Citicorp (Equity), N.Y.	27.3
Bankers Trust (Equity), N.Y.	27.2
US Trust (Equity), N.Y.	27.0
First of Chicago (Equity), Ill.	26.0
Morgan Guaranty (Equity), N.Y.	24.7
Bessemer Trust (E), N.Y.	24.6
Centerre Trust (W), Mo.	22.9
Chase Manhattan (Global eq.)	19.9
Morgan Guaranty (Bond), N.Y.	17.9
First of Chicago (Non-dollar fixed)	17.4
Citicorp (Fixed), N.Y.	16.1

10-year returns

	%
US Trust (Equity), N.Y.	22.5
EAFE	**22.4**
Morgan Guaranty (Equity), N.Y.	20.0
First of Chicago (Equity)	18.9



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Hansen . . .

Continued from page 2
consideration because, "if there was a business combination, it would have to be one that provided the best future and protection for Hansen employees and clients as well as (giving) value to shareholders."

"Over the past several years, there have been all kinds of discussions that have taken place with all kinds of people for a variety of reasons," he said.

Douglas Stegner, vice chairman of Mercer-Meidinger, confirmed discussions with Hansen officials were taking place, but declined to describe the nature of the talks.

Mr. Stegner did say, however, that his company's recent acquisitions will not hurt its ability to pay for a firm the size of Hansen.

"I don't think we'd be talking with them if we thought we didn't have the resources," he said.

While the price Mercer-Meidinger would pay for Hansen was not disclosed, historically the purchase price of consulting firms has been about equal to one year's billing revenue of the target firm.

James A. Curtis, chairman of Milliman & Robertson Inc., an actuarial firm in Seattle, said some recently acquired European firms were sold for as much as 1.7 times annual billing revenue.

"It used to be that one thought in terms of one times a year's billed income," said Mr. Curtis. "But, it sounds like that might be on the low side now."

Mr. Borleis agreed with Mr. Curtis. "That seems to be a rule of thumb in this industry. Whether that's coincidence or reality, I don't know," he said.

Hansen officials may be considering the merger as a means of allowing some of its older employees to sell their shares of stock, after other means of appeasement failed.

In March, Hansen's directors switched the valuation method for its shares from a book value method to a market-value approach. The switch increased the price of the stock by about 60%, said a former employee.

He said while the increase in stock price pleased some of the older employees, who had accumulated large holdings, it angered the younger professionals looking to purchase more equity in the company.

David A. Powers, executive director of the Colorado Fire and Police Pension Association, Denver, a client of Hansen's, said he is aware of the disruptions taking place within the firm.

Older employees still might believe the price of their Hansen stock is too low.

"What you have is a faction of older employees who are getting close to retirement who are forced to sell back their stock at an artificially depressed price," Mr. Powers said.

Mr. Powers said his fund uses Hansen for actuarial and investment consulting. He said the fund probably would stay with Hansen on the actuarial side. He added he would be "highly sensitized" to any changes on the investment consulting side.

Mr. Borleis said he doesn't anticipate any departures from either Hansen's personnel or its client base. ■

SEI median . . .

Continued from page 2
total universe to ensure there is no significant difference.

The sample size was incorrectly reported to be 300, said Jim Minnick, senior vice president at SEI Funds Evaluation, but he declined to specify the correct size saying it varied according to the kinds of accounts being reported upon.

P&I Age regrets the error.

• An Oct. 27 article describing **Moore, Grossman & deRose Inc.**'s lawsuit against Frederick A. Moran incorrectly stated Mr. Moran allegedly sent account transfer forms to clients of Moran, Moore, Grossman & deRose, as the firm previously was known, before he left it. Although the complaint alleged Mr. Moran "tried to solicit clients while still employed" at the firm, it did not specifically state when Mr. Moran sent the account transfer forms to clients, the plaintiffs' lawyer said. Mr. Moran denied sending the forms while still employed by the firm.

• The Pensions & Investments' Performance Evaluation Report fixed-income fund performance figures for **Beverly Bank**, Chicago, were printed incorrectly in the Nov. 10 issue. The correct returns for periods ended Sept. 30 are: for the quarter, 2.9%; the year, 21.3%; three years, a compound annual 17.7%; five years, an annualized 20%; and 10 years, an annualized 12.5%.

• The **Salomon Brothers Broad Investment Grade bond index** figures for the quarter, one-, three- and five-year periods ended Sept. 30 were reported incorrectly in the Nov. 10 issue. The correct numbers are 2.5%, 20.4%, a compound annual 17% and a compound annual 19.9%, respectively.

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Percentile Rank Bond Funds	14	17	2	4	14

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Performance figures are unweighted total rates of return. Prior to 1983, the universe of accounts was a composite of the fixed income account portion of the ten largest discretionary pension and tax-exempt balanced accounts. After that, the composite was increased to include all fully discretionary fixed accounts and the fixed income account portion of balanced accounts. Comparison universe is SEI Bond Funds: Total Fund as of 12/31/85.

Late news

PBGC withdraws bid

CHICAGO — The Pension Benefit Guaranty Corp. has withdrawn its request to impose a lien on Navistar International Corp.'s assets, pending resolution of the PBGC's lawsuit against Navistar.

In exchange for the withdrawal, Navistar agreed to give the PBGC five days' notice of any planned action that would encumber more than 75% of the company's assets. In that event, the PBGC would be free to seek further relief, which Navistar could oppose.

The PBGC sued Navistar, then called International Harvester Co., in 1981, charging the Chicago-based company is responsible for the unfunded pension liabilities of its former Wisconsin Steel Co. unit. Wisconsin Steel, Chicago, terminated its underfunded pension plan after filing for reorganization under Chapter 11 of the Federal Bankruptcy Act in 1980, three years after the steelmaker was sold to Envirodyne Industries Inc., also of Chicago. The PBGC had been seeking a $125 million lien on Navistar to secure its claims.

LTV waiver denied

DALLAS — An Internal Revenue Service decision denying The LTV Corp.'s request for a waiver of its $215 million pension contribution for 1985 may put pressure on the Pension Benefit Guaranty Corp. to take action on the severely underfunded plans.

Dallas-based LTV was notified that its request for a waiver on 12 plans with total assets of $1.5 billion had been turned down by the IRS, said an LTV spokesman. Most of the assets are held in four plans.

Steven Brooks, a steel analyst with Moody's Investors Service, New York, said the IRS decision, while not unexpected, would put pressure on the PBGC to step in and terminate the plans as it did earlier this year for LTV's Republic Steel plans.

If the PBGC accepts the nearly $2.3 billion in additional liabilities included in the LTV plans, Mr. Brooks said Congress may have to authorize additional money for the agency.

A PBGC spokesman said agency officials are taking a careful look at the LTV situation but no decision has been made.

If the PBGC were to terminate the 12 LTV plans, its current $2 billion deficit would more than double to $4.3 billion.

RJR picks Bennett

RALEIGH, N.C. — Robert Bennett Jr. will succeed Gene Hoots as president of RJR Investment Management Inc., the in-house subsidiary that manages the $2.4 billion pension fund of RJR Nabisco Inc.

Mr. Hoots is scheduled to leave in late November to join the New York money management firm of Reich & Tang Inc. as vice president-client services.

Mr. Bennett most recently headed RJ Reynolds Credit Corp.

Fund takes action

SACRAMENTO, Calif. — The $37 billion California Public Employees' Retirement System has introduced resolutions to 43 companies that have "poison pills," according to Jose M. Arau, principal investment officer.

Poison pills are designed to make hostile takeovers prohibitively expensive.

"We think poison pills without shareholder approval infringe upon shareholders' rights of determining whether direct action is in favor of shareholders," Mr. Arau said.

Among the companies to which the resolutions were submitted are: NCR Corp., Dayton, Ohio; Monsanto Co., St. Louis; Aluminum Co. of America, Pittsburgh; Union Camp Corp., Wayne, N.J.; Great Northern Nekoosa Corp., Stamford, Conn.; Honeywell Inc., Minneapolis; and Unisys Corp., Detroit.

Thirty of the resolutions were sponsored with the California State Teachers' Retirement System and one with the Wisconsin State Board of Investment, Madison.

UAM acquires 2 firms

BOSTON — United Asset Management Corp., a holding company of institutional investment management firms, announced it has acquired Investment Counselors of Maryland Inc. and The Rothschild Co., both in Baltimore.

The sales prices were not disclosed. The terms of the acquisitions state each firm will continue to operate independently. United Asset receives an undisclosed portion of the firms' gross revenue.

Investment Counselors, which offers stock, equity and balanced management capabilities, runs about $1.8 billion in assets, of which about $1.3 billion is tax exempt.

Rothschild, an equity manager employing low price-earnings, emerging growth and Graham & Dodd principles, manages about $900 million in total assets; about $600 million is tax exempt.

UAM now owns 14 investment management firms, with about $17.7 billion in assets under management (*see story page 42*).

Sysco Corp. hires

HOUSTON — The Sysco Corp., a major national wholesale food distributor, hired RepublicBank Dallas as trustee for its $6 million profit-sharing plan.

Republic was selected because of its reputation in the trust area, said Sysco Treasurer LaDee Riker, and because the company already had a commercial banking relationship with the bank.

Harris, Dunedin fund

CHICAGO — Harris Bank has appointed Dunedin Fund Managers Ltd., Edinburgh, Scotland, as investment adviser for non-U.S. securities.

The first joint product of the bank's trust department and Dunedin will be a commingled foreign equity fund, which will invest mainly in European and Far East stocks.

Conrad R. Metz, Harris' assistant vice president and a member of the equity research division, has been named U.S. coordinator of the fund.

Dunedin manages approximately $2 billion; Harris Bank has more than $12 billion in pension, profit-sharing and personal assets under management.

Joint venture set

BERKELEY, Calif. — BARRA, a company specializing in investment technology, and Nikko Securities Inc., Tokyo, have formed a Tokyo-based subsidiary, NB Investment Technology Ltd.

The firm's principal product is the Japanese Equity Model, a software model of the Japanese securities market to be used as a data base in investment analysis.

It will offer BARRA's domestic and international products in Japan and has begun developing a Japanese fixed-income model.

Three Japanese money management firms are clients. Its president is Osamu Tanaka, former head of Nikko's Paris office.